

12 May 1954

MEMORANDUM FOR MR. DULLES

SUBJECT: NSC Discussion - East-West Trade Policy

1. It is understood that Mr. Stassen will introduce two general topics to the NSC on 13 May. The first will be a run-down of the progress to date in trilateral discussions with the UK and France and in COCOM on export controls; the second will be a review of control problems related to specific commodities of overriding national concern.

2. In connection with the progress report it will be noted that the UK proposals provide only for a single list - an embargo list - and guidance may be sought from the NSC as to the desirability of holding out for three lists (as presently exist) instead of one: (a) embargo, (b) quota control, and (c) watch list. There is some support for the US position among other members of COCOM. Under the present criteria, neither intelligence nor other considerations are sufficient to support an embargo of certain items that for security reasons ought to have some kind of control. Therefore, the Quota Control and Watch List categories would be a useful device for insuring limited control on items that do not quite warrant embargo.

3. To qualify for control under the existing criteria a commodity must be: (a) an AEC item, (b) arms or munitions, (c) designed especially for military use, (d) embodying advanced technology, or (e) critically deficient in the Bloc in respect to its war potential. However, because of the restrictive nature of these criteria, certain items which should be controlled may not qualify. On the basis of reviews to date these include: natural rubber, copper, nickel, bearings, scrap iron and steel, locomotives and rails, and petroleum. Since these items are of some importance to the Bloc's war potential, they probably should be under some form of control. We understand that with regard to these items Mr. Stassen is expected to argue that the US take a firm stand for embargo on nickel, copper, scrap, and on certain types of locomotives, while yielding, if necessary, on natural rubber, railway rails, and petroleum. In addition, Mr. Stassen will argue for retention of present quantitative controls on certain types of bearings. The copper problem is currently under further study within the intelligence community, and may provide further support in US efforts to have this item embargoed. It is understood that Defense will argue for somewhat

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tighter controls on certain types of rolling stock (particularly tank cars), railway rails, and petroleum. Insofar as it is an important factor, our intelligence would support the Defense position. In the case of petroleum, there is a deficiency in the Soviet Far Eastern areas. Although there is no direct evidence of a Soviet tank car shortage, it is believed that the situation is tight. As evidence in support of the Defense position on rails, there are strenuous efforts in the Bloc to construct new rail lines and imports of rails would give long-term assistance to the Soviets in this effort. However, if this item were of priority importance to the Bloc they would have the capability to produce it.

4. Mr. Stassen will also outline the problem of public announcement of the deletion of items from the international list. This involves the question of whether items agreed for deletion in COCOM are to be released immediately from control following the discussions of individual items in COCOM (the "peel-off"), or whether they are to be released en masse at the end of the COCOM discussion. On this point intelligence is probably a relatively minor consideration; although it is argued that the total results of the COCOM discussions should be examined before action is taken permitting export of the decontrolled items.

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